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91406



914060



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 3 Accounting, 2014

91406 Demonstrate understanding of company financial statement preparation

9.30 am Friday 21 November 2014
Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of company financial statement preparation.	Demonstrate in-depth understanding of company financial statement preparation.	Demonstrate comprehensive understanding of company financial statement preparation.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Pull out Resource Booklet 91406R from the centre of this booklet.

You should attempt ALL parts of all questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–10 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Not Achieved

TOTAL

4

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QUESTION ONE

Refer to Resource One in Resource Booklet 91406R to answer this question.

- (a) Prepare the General Journal entries indicated by the narrations in the General Journal below, using relevant information from Resource One.

Colin's Construction Company Limited
General Journal

		NZ\$000	NZ\$000
31/3/2014	Land	50	
	Land revaluation surplus		50
To record the revaluation of land to fair value			
31/3/2014	Shares in A1 Building Supplies Limited Increase in fair value of financial asset	28	
	Contributed Equity Increase in fair value of FA		28
To record the revaluation of shares in A1 Building Supplies Ltd to fair value			
31/3/2014	Tax expense	70	
	Tax payable		70
To record income tax expense of \$70,000			

- (b) Prepare the General Ledger accounts indicated using relevant information from Resource One.

Colin's Construction Company Limited
General Ledger
Buildings

		NZ\$000	NZ\$000	NZ\$000	
31 March	Balance			590	DR
	Revaluation Accumulated depreciation on building		65	435	DR
	Revaluation	10		445	DR

Buildings Revaluation Surplus

		NZ\$000	NZ\$000	NZ\$000	
31 March	Balance			40	CR
	Building		10	50	CR

- (c) Complete the Statement of Comprehensive Income (extract) for Colin's Construction Company Limited.

Colin's Construction Company Limited
Statement of Comprehensive Income (extract)

	NZ\$000
Profit before taxation	250

- (d) Explain the accounting treatment of the revaluation of land in the financial statements of Colin's Construction Company Limited. You can use the abbreviation CCCL in your answer.

Revaluation of Land of \$10 is recorded in
Finance Colin's Construction Company Limited
's financial statement as

QUESTION TWO

Refer to **Resource Two** in **Resource Booklet 91406R** to answer this question.

(a) Complete *Rock Gymnasiums Limited's* Statement of Cash Flows (extract).

Notes:

- You are not required to complete the Operating Activities of the Statement of Cash Flows, as the Net Cash Inflow from operating activities has been calculated for you.
- Space has been provided below for your working. This may be used for marking purposes.

WORKINGS

AR
DADE

AP
E 800 - 5
I 63
T 132 - 5

AP

$$AR \ 320 - 242 = 78$$

AP CGS - Inventory → purchase

Total expense 1160 - 3 prepayments

Rock Gymnasiums Limited Statement of Cash Flows (extract) for the year ended 31 March 2014

	NZ\$000	NZ\$000	NZ\$000
Net cash inflow from operating activities			3537
CASH FROM INVESTING ACTIVITIES			
Accounts receivable <u>Sale of PPE</u>	705		
Increase of term deposits	633	638	
Increase in loan	100		
Increase in shares in Gymnasium Ltd	200		
Less			
of PPE		(20)	
Total Net Cash from Investing Activity			618
CASH FROM FINANCING ACTIVITIES			
Accounts payable <u>Increase in loan</u>	100		
Expenses <u>Contributed equity</u>	177 250	350	
Interest	63		
Tax Less	123		
Decrease on mortgage	150		

- (b) Explain, providing detailed reasons, why depreciation on property, plant and equipment should not be included in Rock Gymnasiums Limited's Statement of Cash Flows.

Depreciation on property plant and equipment
could not be included in Rock Gymnasiums
Limited's Statement of Cash flow because
it's not cash

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QUESTION THREE

Refer to Resource Three in Resource Booklet 91406R to answer this question.

- (a) Complete the Income Statement for Christina Diory House of Fashion Limited for the year ended 31 March 2014.

Christina Diory House of Fashion Limited
Income Statement
for the year ended 31 March 2014

	NZ\$000	NZ\$000
Revenue		
Sales		6500
Other Income plus Director's fee		300
Rent received Total revenue	70	6800
Less Cost of Goods sold plus other Income net (Rent)		70
Less Cost of Goods sold		1300
Profit		5500
Less Expenses		
Bad debts	28	
Communication expenses	129	
Patent fees	10	
Other expenses	1138	
Depreciation	33	
Finance cost	147	
Total expense		1485
Profit before tax		4015
Remuneration		
Auditor's remuneration		26
Tax		130
Profit for the year		3859

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- (b) Complete the Distributions note to the financial statements.

Christina Diory House of Fashion Limited
Notes to the Financial Statements (extract)
Distributions

	Cents per share	NZ\$000
Final Dividend (30 April 2014)	20	
In 6 er dividend		
Dividends declared after reporting date:		

- (c) Identify and explain in detail, ONE temporary current liability that will be created from the list of items in the additional information.

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Extra space if required.
Write the question number(s) if applicable.

QUESTION
NUMBER

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Not Achieved exemplar for 91406 2014			Total score	04
Q	Grade score	Annotation		
1	N2	This is an N2 because it shows understanding of processing journals and ledgers but the Statement of Comprehensive Income extract has not been attempted and there is no evidence in Q1(d) of understanding.		
2	N1	This is an N1 because it shows little understanding of a Statement of Cash flows format and there are too many stem errors.		
3	N1	This is an N1 because it shows understanding of how to complete an Income Statement but there has been no attempt at the Distribution note or the theory question.		